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Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602-0615

RECEIVED

JUL 29 2015

PUBLIC SERVICE  
COMMISSION

**Kentucky Utilities Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.lge-ku.com

Rick E. Lovekamp  
Manager - Regulatory Affairs  
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July 29, 2015

Re: ***In the Matter of: Joint Application of Kentucky Utilities Company, Kentucky Association for Community Action, Inc., and Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. for the Establishment of a Home Energy Assistance Program, Case No. 2007-00338***

Dear Mr. DeRouen:

On September 14, 2007, the Commission approved the Joint Application of Kentucky Utilities Company (“KU”), Community Action Kentucky, Inc. (“CAK”), and the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicolas Counties, Inc. (“CAC”), (collectively “Joint Applicants”) for a five year Home Energy Assistance (“HEA”) program. The term of the HEA program has been extended several times in various cases. However, pursuant to the Settlement Terms and the Commission’s Order in Case No. 2014-00371, effective June 30, 2015, the HEA program was established as a permanent program. Additionally, KU is filing the HEA program information for calendar year 2014 and the financial audits for CAK and CAC for year ended June 30, 2014.

For the twelve month period ending December 2014, KU collected \$1,286,600 from residential electric customers (See Exhibit 1).

As of the December 31, 2014 reporting period, there were 2,597 residential customers enrolled in the HEA program representing 68 counties throughout the KU service territory (See Exhibit 2).

Mr. Jeff DeRouen  
July 29, 2015

For the calendar year 2014, 3,604 brown bills (See Exhibit 3) were sent to HEA clients. Additionally, there were 1,219 disconnections (See Exhibit 4) of HEA clients during 2014.

In the September 14, 2007 Order, KU was authorized to utilize up to five percent of the total HEA funds collected to provide discretionary energy assistance. The Order specifies that the funds could be used to pay down arrearages or to provide energy assistance in crisis situations. During 2014, CAK and CAC utilized the funds for program participants that required monthly energy assistance.

During 2014, there was no change to the monthly or annual benefit amount.

Lastly, KU has enclosed the financial audits conducted by independent auditors for CAK and CAC for the period ending June 30, 2014.

Please confirm your receipt of this filing by placing the stamp of your Office with date received on the extra copy and returning to me in the enclosed envelope. Should you have any questions regarding this information, please contact me or Don Harris at 502-627-2021.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rick E. Lovekamp". The signature is fluid and cursive, with the first name "Rick" being the most prominent.

Rick E. Lovekamp

**Kentucky Utilities Company**  
**Home Energy Assistance Program**  
**Total Funds Collected**

<b>Month/Year</b>	<b>Amount</b>
Jan-14	\$106,976
Feb-14	106,886
Mar-14	107,218
Apr-14	106,973
May-14	107,058
Jun-14	107,326
Jul-14	107,777
Aug-14	107,359
Sep-14	107,490
Oct-14	107,568
Nov-14	105,977
Dec-14	107,991
Total	\$1,286,600

**Kentucky Utilities Company**  
**Home Energy Assistance Program**  
**Customer Enrollment by County**  
**As of December 31, 2014**

	<b>Number</b>	<b>County</b>
<b>County</b>	<b>Enrolled</b>	<b>Distribution</b>
Adair	4	0.15%
Anderson	34	1.31%
Ballard	1	0.04%
Barren	2	0.08%
Bath	14	0.54%
Bell	141	5.43%
Bourbon	91	3.50%
Boyle	104	4.00%
Bracken	11	0.42%
Bullitt	4	0.15%
Caldwell	1	0.04%
Carroll	15	0.58%
Casey	36	1.39%
Christian	2	0.08%
Clark	34	1.31%
Clay	12	0.46%
Crittenden	2	0.08%
Estill	22	0.85%
Fayette	1,020	39.28%
Fleming	9	0.35%
Franklin	6	0.23%
Gallatin	4	0.15%
Garrard	40	1.54%
Grant	0	0.00%
Grayson	17	0.65%
Green	20	0.77%

**Kentucky Utilities Company  
Home Energy Assistance Program  
Customer Enrollment by County  
As of December 31, 2014**

	<b>Number</b>	<b>County</b>
<b>County</b>	<b>Enrolled</b>	<b>Distribution</b>
Hardin	78	3.00%
Harlan	10	0.39%
Harrison	41	1.58%
Hart	39	1.50%
Henderson	9	0.35%
Henry	4	0.15%
Hickman	8	0.31%
Hopkins	15	0.58%
Jessamine	4	0.15%
Knox	11	0.42%
Larue	33	1.27%
Laurel	15	0.58%
Lincoln	111	4.27%
Livingston	2	0.08%
Lyon	1	0.04%
Madison	21	0.81%
Marion	19	0.73%
Mason	7	0.27%
McCracken	5	0.19%
McCreary	9	0.35%
McClellan	7	0.27%
Mercer	90	3.47%
Montgomery	32	1.23%
Muhlenberg	22	0.85%
Nelson	2	0.08%
Nicholas	46	1.77%

**Kentucky Utilities Company  
Home Energy Assistance Program  
Customer Enrollment by County  
As of December 31, 2014**

	<b>Number</b>	<b>County</b>
<b>County</b>	<b>Enrolled</b>	<b>Distribution</b>
Ohio	3	0.12%
Oldham	0	0.00%
Owen	1	0.04%
Pulaski	50	1.93%
Robertson	2	0.08%
Rockcastle	14	0.54%
Rowan	36	1.39%
Russell	31	1.19%
Scott	22	0.85%
Shelby	13	0.50%
Spencer	9	0.35%
Taylor	25	0.96%
Trimble	6	0.23%
Union	1	0.04%
Washington	13	0.50%
Webster	8	0.31%
Whitley	19	0.73%
Woodford	57	2.19%
<b>Total</b>	<b>2,597</b>	<b>100.00%</b>

**Kentucky Utilities Company  
Home Energy Assistance Program  
Brown Bill Notices Issued - 2014**

<b>Number of Customers</b>	<b>Number of Brown Bills Per Customer Received Annually</b>
396	1
366	2
302	3
348	4
324	5
306	6
287	7
313	8
307	9
287	10
218	11
150	12
3,604	Total

**Kentucky Utilities Company  
Home Energy Assistance Program  
Number of Disconnections - 2014**

<b>Number of Customers</b>	<b>Number of Disconnections Per Customer</b>
792	1
279	2
97	3
32	4
12	5
4	6
1	7
2	8
1,219	Total



Community Action Kentucky, Inc.

Independent Auditor's Report with Audited Financial Statements  
And  
Supplementary Information

For The Year Ended June 30, 2014

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June 30, 2014

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## Independent Auditor's Report

Board of Directors  
Community Action Kentucky, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Community Action, Kentucky Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action, Kentucky Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of Community Action, Kentucky Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action, Kentucky Inc.'s internal control over financial reporting and compliance.

*Charles T. Mitchell Co.*

Frankfort, Kentucky  
December 19, 2014

Community Action, Kentucky Inc.  
Statement of Financial Position  
June 30, 2014

Assets	
Current Assets	
Cash & Cash Equivalents	\$ 95,528
Reimbursable Costs	3,564,891
Due from Sub-recipients	6,487
Current Portion of Notes Receivable	18,775
Prepaid Expenses	5,572
Total Current Assets	3,691,253
Other Assets	
Investments	1,209,548
Notes Receivable	26,516
Other Receivables	8,301
Property and Equipment	
Buildings and Equipment Net of Accumulated Depreciation	671,451
Total Assets	\$ 5,607,069
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 61,778
Accrued Compensation	80,760
Due to Sub-recipients	3,350,770
Notes Payable - Current Maturities	20,628
Total Current Liabilities	3,513,936
Long Term Liabilities	
Notes Payable	35,313
Total Liabilities	3,549,249
Net Assets	
Unrestricted	2,057,820
Total Net Assets	2,057,820
Total Liabilities and Net Assets	\$ 5,607,069

The accompanying notes are an integral part of these financial statements

Community Action, Kentucky Inc.  
Statement of Activities  
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Grants/Contracts	\$	\$ 53,889,665	\$ 53,889,665
Commissions	114,329		114,329
Dues	17,191		17,191
Rental Income	14,400		14,400
Investment Income	179,099		179,099
Other	59,838		59,838
Release of Restrictions of Net Assets	53,889,665	(53,889,665)	-
<b>Total Revenue and Support</b>	<b>54,274,522</b>	<b>-</b>	<b>54,274,522</b>
Expenses:			
Energy assistance	47,888,458		47,888,458
CSBG/OCS	585,167		585,167
RCAP	263,451		263,451
CDAP	309,322		309,322
Kynector	4,764,530		4,764,530
Housing	710		710
AEP	41,776		41,776
Supporting Services	328,678		328,678
<b>Total Expenses</b>	<b>54,182,092</b>	<b>-</b>	<b>54,182,092</b>
Net Increase in Net Assets	92,430	-	92,430
Net Assets Beginning of the Year	1,965,390	-	1,965,390
<b>Net Assets End of Year</b>	<b>\$ 2,057,820</b>	<b>\$ -</b>	<b>\$ 2,057,820</b>

The accompanying notes are an integral part of these financial statements

Community Action, Kentucky Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2014

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 92,430
Adjustments to Reconcile Change in Net Assets to Net Cash Used for Operating Activities:	
Depreciation and Amortization	18,735
Unrealized Gain on Investments	(113,371)
Changes in Operating Assets and Liabilities:	
Increase in Reimbursable costs	(978,771)
Increase in Sub-recipient Receivables	(5,372)
Decrease in Prepaid Expenses	1,719
Increase in Accounts Payable	36,614
Increase in Due to Sub-recipients	789,727
Increase in Accrued Expenses	2,111
Total Adjustments	<u>(248,608)</u>
Net Cash (Used In) Operating Activities	<u>(156,178)</u>
Cash Flows From Investing Activities:	
Collections of Notes Receivable	43,693
Purchase of Investments	(23,365)
Net Cash Flows (Used) In Investing Activities	<u>20,328</u>
Cash flows From Financing Activities:	
Payments on debt	(29,275)
Cash Flows (Used) in Financing Activities:	<u>(29,275)</u>
Net Decrease in Cash	(165,125)
Cash at Beginning of Year	<u>260,653</u>
Cash at End of Year	<u>\$ 95,528</u>

The accompanying notes are an integral part of these financial statements

Community Action, Kentucky Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2014

	RCAP	CDAP	Housing	Energy	AEP	OCS/ CSBG	Program Services Total	Supporting Services	2014 Totals
Salaries	\$ 139,523	\$ 24,586	\$ -	\$ 223,860	\$ 96,994	\$ 142,463	\$ 627,426	\$ 59,401	\$ 686,827
Fringe Benefits	53,244	9,379	-	85,316	37,667	55,052	240,658	21,861	262,519
Professional Services	-	-	-	29,859	-	-	29,859	33,594	63,453
Consultants	1,289	273,101	-	-	11,738	323,576	609,704	66,990	676,694
Education	1,081	-	-	595	450	5,015	7,141	2,955	10,096
Travel	24,151	1,631	-	3,586	3,971	13,140	46,479	24,593	71,072
Telephone	-	-	-	846	717	293	1,856	242	2,098
Office Exp & Supplies	357	625	-	89	-	171	1,242	1,591	2,833
Dues/Fees	458	-	-	-	22	150	630	19,172	19,802
Insurance	128	-	-	12,453	-	128	12,709	739	13,448
Pollution Insurance	-	-	-	61,921	-	-	61,921	-	61,921
Postage	85	-	-	24	-	-	109	70	179
Printing	-	-	-	2,899	312	2,066	5,277	-	5,277
Marketing	-	-	-	-	-	-	-	4,988	4,988
Advertising	-	-	-	-	-	-	-	698	698
Repairs & Maintenance	701	-	-	8,458	90	3,363	12,612	7,429	20,041
Meeting	-	-	-	-	-	-	-	39,991	39,991
Depreciation	-	-	-	-	-	-	-	8,135	8,135
Interest	-	-	710	-	-	-	710	-	710
Other	-	-	-	-	-	-	-	15,750	15,750
Indirect	42,434	-	-	58,369	29,454	39,750	170,007	20,479	190,486
Subrecipients	-	-	-	47,400,183	4,624,891	-	52,025,074	-	52,025,074
<b>Total</b>	<b>\$ 263,451</b>	<b>\$ 309,322</b>	<b>\$ 710</b>	<b>\$ 47,888,458</b>	<b>\$ 4,806,306</b>	<b>\$ 585,167</b>	<b>\$ 53,853,414</b>	<b>\$ 328,678</b>	<b>\$ 54,182,092</b>

The accompanying notes are an integral part of these financial statements



## Note 1 – Organization and Nature of the Operations

Community Action Kentucky, Inc. (a Kentucky nonprofit organization) is a multi-funded association of twenty-three (23) Community Action in Kentucky. Each of these twenty-three CAA's has an Executive Director, or its equivalent, who serve as board members for Community Action Kentucky, Inc. The CAA's are the predominate recipients of pass through funds from Community Action Kentucky, Inc. and thus related parties (See page 21 of this report for further details). The Association was formed in 1968 to provide a link between the CAA's to better accomplish mutual goals and objectives. The responsibilities of the Association include the development and administration of grants and contracts providing services in areas such as housing, water, wastewater management, crisis intervention, and low-income home improvements.

In prior years, the organization conducted its activities as Kentucky Association for Community Action, Inc (KACA). In October 2007, the board approved and the state granted a change of name to Community Action Kentucky, Inc. (CAK).

The primary sources for flow through of funds are Cabinet for Health and Family Services and Kentucky Housing Corporation, State of Kentucky and W.S.O.S. Community Action Commission.

The following programs are administered by CAK:

### *Low Income Home Energy Assistance (LIHEAP)*

The LIHEAP Grant is provided by the Kentucky Cabinet for Health and Family Services, Department of Social Insurance to provide energy services including assistance with payment of utility bills, limited repairs of heating systems and provision of fuel, heaters, blankets and certain other commodities. CAK serves as a pass-through agency with the program services being provided by 23 sub-recipient organizations.

### *Demand Side Management Program (DSM)*

The DSM Grant is provided by the Cabinet for Health and Family Services to engage in leveraging activities related to the LIHEAP grant. Under the grant, CAK provides technical assistance to ongoing utility funded partnerships with Weatherization agencies and works toward the creation of other new programs. Community Action Kentucky, Inc. also holds quarterly meetings to allow those involved in DSM to come together and exchange information and ideas. Community Action Kentucky, Inc. also tracks federal and state legislation that affect utility industry restructuring and how that would affect DSM programs in Kentucky.

### *Water and Wastewater Program (RCAP)*

The RCAP Grant is funded by an award from the U.S. Department of Health and Human Services, Office of Community Services. The WSOS Community Action, Inc., sponsor for the Great Lakes Rural Network, Inc., has contracted with Community Action Kentucky, Inc. to assist low-income families, small communities, and local officials to deal with water and wastewater problems affecting the poor. The water and wastewater program has activities in Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia, and Wisconsin.

## Note 1 – Organization and Nature of Operations (Continued)

### *Housing Program*

The Housing Program is funded by a loan from the Kentucky Housing Corporation to make and disburse mortgage loans to eligible persons and families of lower income, for single-family dwellings to provide safe, decent, and sanitary family dwellings in the Commonwealth of Kentucky.

### *KU Energy Assistance Program*

CAK, in conjunction with Community Action Council, operates an energy assistance program that helps approximately 1,300 households with a subsidy benefit for seven months during the year. The program is funded with a 10 cent per meter monthly charge on residential electric customers of Kentucky Utilities.

### *American Electric Power*

CAK, in conjunction with five Community Action Agencies in Eastern Kentucky, operates an energy assistance program that helps approximately 800 households with subsidy benefits for seven months during the year. The program is funded with a 10 cent per meter monthly charge on residential electric customers of Kentucky Power/AEP.

### *Weatherization*

Since 2001 Community Action Kentucky has operated the Weatherization program on behalf of the Cabinet for Health and Family Services through a network of 22 Community Action Agencies and one unit of local government. The program is funded by the federal Department of Energy (DOE) and, upon approval by CHFS, by a 15% transfer from the Low Income Home Energy Assistance Program (LIHEAP) to weatherization. The program provides energy conservation services for low income households at or below 150% of the federal poverty guidelines (it has since been raised to 200% of the federal poverty guidelines). The services provided include providing a home energy audit, adding attic insulation, duct sealing, floor insulation, heat system repair, wall insulation, and in some instances heat system replacement. The average cost per home was approximately \$3,000 not including health safety measures. The program's health and safety measures could go up to an average \$1,000 per home. They include carbon monoxide detection, smoke detectors, fixing leaking appliances and other heat system work. In 2009 the program was moved from the Cabinet for Health and Family Services to the Finance and Administration Cabinet where it would be overseen and administered by the Kentucky Housing Corporation; however, CAK remains the primary pass-through agent.

## Note 2 – Summary of Significant Accounting Principles

Basis of Presentation – CAK has adopted FASB ASC 958-210-45-9 and 45-10; 558-210-50-3, of which, defines standards for external financial reporting and requires that resources be classified into three net asset categories according to externally (donor) imposed restrictions (Formally SFAS No. 117). Further description over the ASC defined and required net asset categories are as follows:

- Unrestricted – net assets that are not subject to any donor-imposed restrictions
- Temporarily Restricted – net assets subject to donor-imposed restrictions that can be met either by actions of CAK or the passage of time

## Note 2 – Summary of Significant Accounting Principles

### Basis of Presentation – (Continued)

- Permanently Restricted – net assets subject to permanent donor-imposed restrictions; however, certain instances, as defined by donor, permit CAK to use or expend part or all of the income derived from the donated assets

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reported period. Actual events and results could differ from those assumptions and estimates.

Expenses – Expenses are reported using the accrual basis of accounting.

Revenue Recognition – Program service revenue is considered available for CAK's general programs unless specifically restricted by donors or grantors. Interest income related to housing notes is recorded when received. Accrued interest on such notes is considered immaterial and is not disclosed. Grant and contract revenue under cost reimbursement grants or contracts is recorded when an expense is incurred for specific grant or contract supported programs or projects in a manner defined by applicable grants or contracts. Grant or contract funding received that does not meet the criteria for revenue recognition described above are deferred using the deposit method. Under the deposit method, cash received from grants or contracts is classified as deferred revenue (a refundable deposit) in the liability section of the statements of financial position, and revenue recognition is deferred until the requirements detailed above are met.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

Accounts and Notes Receivable – Accounts and notes receivable are stated at their outstanding principal. Both accounts and notes receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated the financial condition of the borrowers, the estimated value of the any underlying collateral and current economic conditions. Based on management's assessment of the credit history and current, CAK, believes realization of losses, if any, will be immaterial.

Accrued Compensation – It is the policy of the association that annual leave time is accrued and payable on termination of employment and sick leave is not accrued since it is not paid upon termination of employment. As of June 30, 2014, the association had unpaid annual leave and salary of 80,760.

Functional Expenses – Directly identified expenses are charged to programs and support services. CAK adheres to the AICPA Industry Audit Guide in reporting expenses by their functional classification. Accordingly, salary, fringe, professional, supplies and other expenses have been allocated to functional classifications based on various factors.

**Note 3 – Concentrations of Credit Risk**

In the current year, a significant amount of funding was provided by a few major contributors. It is always considered reasonably possible that grantors might be lost or funding could be reallocated in the near term. Approximately 99% of CAK’s revenue was earned under various contracts (grants), approximately 88% from US Department of Health and Human Services and 10% from the US Department of Energy. CAK’s market is concentrated in the geographic area of Kentucky.

At no time during the year did CAK have on deposit with a local bank amounts in excess of FDIC insurance limits. As part of its cash management and investment practices, the agency monitors bank balances on an almost daily basis and transfers funds as necessary to mitigate associated risks.

**Note 4 – Income Taxes**

CAK is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code, except from income derived from unrelated business activities. At June 30, 2014, CAK has no estimated liability on unrelated business activities. CAK believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. CAK’s federal Exempt Organization Business Income Tax Return (Form 990) for 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

**Note 6 – Investments**

Community Action, Kentucky Inc. determines fair value based on the price that would be received to see the asset or paid to transfer the liability to a market participant. As such, investments are presented at their fair value as determined by reference to quoted market prices. Related realized and unrealized gains and losses are reflected in the statement of activities. Investments consisted of the following at June 30, 2014:

	Cost	Fair Value
Mutual Funds	\$ 1,030,449	\$ 1,209,548

A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.

**Note 6 – Investments (Continued)**

- Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect an Organization’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The standard requires certain valuation methodologies be used for instruments measured at fair value on a recurring basis and recognized in the Organization’s statement of financial position, as well as the general classification of such instruments pursuant to the above valuation hierarchy.

At June 30, 2014, the Organization’s trading securities had a fair value of \$1,209,548, of which, all was determined based on quoted prices in active markets for identical assets (Level 1). Realized and unrealized gains and losses included in net income for the year ended June 30, 2014 are reported in the accompanying income statement as follow:

Interest & Dividend Income	\$	41,066
Realized Gains(Losses)		24,662
Unrealized Gains(Losses)		113,371
Total Investment Income	\$	<u>179,099</u>

**Note 7 – Notes Receivable**

Notes receivable represent funds advanced from the conduct of CAK’s housing program wherein funds are borrowed from the Kentucky Housing Corporation (see Note 1) and re-loaned to Community Action Agencies and loans made for rehab home improvements. Loans are stated at unpaid balances. At June 30, 2014 the unpaid balances were comprised of 17 individual loans to 4 separate Community Action Agencies and 3 revolving loans totaling \$45,291 and \$8,301, respectively. This rate is consistent with the related borrowing rate (see Note 8) and is contractually restricted. Interest rate for KHC notes is fixed at 1%. At the date of agreement the interest rate for the revolving notes was 3%; however, payments have seized and interest is no longer being charged and is considered non-current. Management considers each note outstanding to be fully collectible; thus, no allowance for loan losses is estimated. Maturities of these notes receivables are as follows:

<u>Year Ended</u>		
2015	\$	18,775
2016		8,125
2017		8,125
2018		5,133
2018		5,133
Thereafter		8,301
Total	\$	<u>53,592</u>

Interest revenue amounted to \$490 for 2014.

**Note 8 – Property and Equipment**

Property and equipment acquired with unrestricted revenues are stated at cost, if purchased or at fair value at the date of gift, if donated, less accumulated depreciation. Property and equipment acquired using restricted or temporarily restricted revenues are expensed during the period of purchase per the modified accrual basis of accounting; an acceptable departure from GAAP, per grant or contract agreements. Additions with a cost of fair value of less than \$500 are expensed. Property and equipment consisted of the following at June 30, 2014:

Land	\$ 105,287
Office Equipment	122,006
Building	<u>757,945</u>
Total Depreciable Assets	985,238
Less: Accumulated Depreciation	<u>(313,787)</u>
Net Property, Plant & Equipment	<u>\$ 671,451</u>

Depreciation is computed using the straight-line method over the estimated useful life of the respective asset. Depreciation and amortization expenses amounted to \$9,626 in 2014.

**Note 9 – Notes Payable**

Notes Payable arise from the conduct of CAK’s housing program as described in notes 1 and 5. The note payable at June 30, 2014 consisted of the following:

Note payable to KHC (NHPR 05/06), Interest at 1% annual payments of \$10,650 through July, 2025	\$ 21,300
Note payable to KHC (NHPR 06/07), Interest at 1% annual payments of \$1,159 through July, 2026	8,974
Note payable to KHC (NHPR 08/09), Interest at 1% annual payments of \$5,921 through July, 2028	<u>25,667</u>
Total	55,941
Less: Current Maturities	<u>20,628</u>
Total Long-Term Debt	<u>\$ 35,313</u>

The note agreements provide CAK the opportunity to amortize the above loans over a twenty year period. However, management has elected to pay off the notes in approximately the same manner as the related notes receivable are being repaid by the borrowers, which is over a 10 year period.

**Note 9 – Notes Payable (continued)**

As such, there is an accelerated repayment of the above notes as compared to the formal note terms. Expected future principal repayments are as follows:

<u>Year Ended</u>		
2015	\$	20,628
2016		6,985
2017		5,989
2018		1,711
2019		-
Thereafter		-
Total	\$	<u>35,313</u>

Interest paid during 2013-2014 amounted to \$9,011.

**Note 10 – Retirement Plan**

Through its affiliate with the state of Kentucky CAK contributes to the Commonwealth of Kentucky's County Employees Retirement System (CERS), a cost sharing, multi-employer public employee retirement system. All of CAK's current full-time employees are participants in the above delineated as a non-hazardous plan. CAK does not administer these multiemployer plans.

Members contribute 5% of gross compensation with an additional 1% from members entering the system after September 1, 2008. CAK pays the designated employer rate as defined yearly by state statute. It is currently impossible to determine future rates or required payments, thus discounted amount has been presented.

On each June 30, interest is credited at the rate determined by CERS on the accumulated contribution the member had in his account on the previous June 30. Upon termination, member may withdraw the contributions with interest, but will be entitled to no benefit payments. Contributions for the year ended June 30, 2014 totaled \$169,634. Employer contributions for the Retirement Plan (CERS) are as follows:

<u>Years</u>	<u>Employer Contributions</u>
2013-2014	\$ 135,854
2012-2013	149,507
2011-2012	162,635
2010-2011	153,335
2009-2010	121,789

The contributions for yearend June 30, 2014 from CAK's employees totaled \$33,779.

**Note 10 – Retirement Plan (continued)**

The “pension benefit obligation” is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increased and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions’ funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

CERS does not make separate measurements of assets and pension benefit obligations for individual employers. The following table presents certain information regarding the plans’ status as a whole, derived from actuarial valuations as of date indicated:

	<u>June 30, 2013</u>
Assets available for benefits, at fair value	\$ 5,637,094,483
Pension benefit obligation	<u>(9,378,876,114)</u>
(Underfunded) pension benefit obligation	<u>\$ (3,741,781,631)</u>

The ten-year historical trend information for CERS’s progress of accumulating sufficient assets to pay benefits when due is presented in their comprehensive annual financial reports dated June 30, 2013. As the Library is only one of several employers participating in the Plan, is not practicable to determine the Library’s portion of the unfunded past service cost or the vested benefits of the Library’s portion of the Plan assets.

In addition to the pension benefits described above, KRS require CERS to provide access to post-employment healthcare benefits to eligible members and dependents. The CERS medical insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KERS Board of Trustees, the Kentucky Department of Insurance and the General Assembly.

**Note 11 – Non-Compliance with Grantor or Donor Restrictions**

Financial awards from federal, state, and local governmental entities in the form of grants are subject to specific audit. Such audits could result in claims against CAK for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined; however, management believes that is such audits do arise; all steps have been followed to ensure compliance with each grantor or donor restrictions as defined by contractual agreements as of June 30, 2014.



**Note 12 – Operating Lease**

CAK is the lessee of office equipment under an operating lease expiring during fiscal year end 2016. Future minimum lease payments due under the lease are as follows:

<u>Year Ended</u>	
2013	\$ 840
2014	840
2015	840
2016	840
Total	<u>\$ 3,360</u>

Lease expense during 2013-2014 totaled to \$840.

**Note 13 – Subsequent Events**

Management did not indicate financially impacting information regarding subsequent events. Subsequent events were evaluated through December 19, 2014, which is the date the financial statements were available to be issued. No events were found to be, or have, a material impact regarding the accompanying financial statements of the Community Action, Kentucky Inc. as of and for the year ended June 30, 2014 as listed in the table of contents.



Charles T. Mitchell Company, PLLC  
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Partners  
William G. Johnson, Jr., CPA  
James E. Clouse, CPA  
Kim Field, CPA  
Greg Miklavcic, CPA  
Rick Yates, CPA

Consultants  
Don C. Giles, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Board of Directors  
Community Action Kentucky, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Action, Kentucky Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community Action, Kentucky Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action, Kentucky Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Community Action, Kentucky Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We noted certain matters that we reported to management of Community Action, Kentucky Inc. in a separate letter dated December 19, 2014.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Charles T. Mitchell Co.*

Frankfort, Kentucky  
December 19, 2014



Charles T. Mitchell Company, PLLC  
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**Partners**  
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Independent Auditor's Report on Compliance with Requirements that could have a  
Direct and Material Effect on Each Major Program and on Internal Control Internal  
Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors  
Community Action Kentucky, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Community Action, Kentucky Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Community Action, Kentucky Inc.'s major federal programs for the year ended June 30, 2014. Community Action, Kentucky Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Community Action, Kentucky Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action, Kentucky Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Action, Kentucky Inc.'s compliance.

## Opinion on Each Major Federal Program

In our opinion, Community Action, Kentucky Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control over Compliance

Management of Community Action, Kentucky Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action, Kentucky Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action, Kentucky Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Charles T. Mitchell Co.*

Frankfort, Kentucky  
December 19, 2014

Community Action, Kentucky Inc.  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Grant	Pass-Through Grantor	Federal CFDA Number	Pass Through Grant Number	Grant Period Ending	Federal Award Expenditures
<i>U.S. Department of Health and Human Services:</i>					
Community Service Block Grant	KY Cabinet for Health & Family Services	93.569	736-13000020765	6/30/14	\$ 150,000
Low Income Home Energy Assistance Program	KY Cabinet for Health & Family Services	93.568	736-13000020765	6/30/14	41,222,651
LIHEAP-Weatherization	Kentucky Housing Corporation	93.568	LH13-0073-01	6/30/14	4,750,285
HHS-RCAP	W.S.O.S Community Action Comm.	93.570	PY 12-13	9/30/13	25,329
HHS-RCAP	W.S.O.S Community Action Comm.	93.570	PY 13-14	9/30/14	63,087
RPIC	Office of Community Services	93.570	90EQ0244-01-00	9/29/13	143,377
RPIC	Office of Community Services	93.570	90EQ0244-02-00	9/29/14	291,790
Total Department of Health and Human Services					<u>46,646,519</u>
<i>U.S. Department of Energy:</i>					
Weatherization - Regular	Kentucky Housing Corporation	81.042	WX13-0373-02	6/30/14	1,813,449
Total Department of Energy					<u>1,813,449</u>
<i>U.S. Department of Agriculture:</i>					
Technitrain-RCAP	W.S.O.S Community Action Comm.	10.761	PY 12-13	9/30/13	19,768
RCDI-RCAP	W.S.O.S Community Action Comm.	10.446	PY 12-14	9/30/14	37,691
Technitrain-RCAP	W.S.O.S Community Action Comm.	10.761	PY 13-14	9/30/14	88,566
Solid Waste 1	W.S.O.S Community Action Comm.	10.762	PY 13-14	12/31/14	27,133
Total Department of Agriculture					<u>173,158</u>
<i>Environmental Protection Agency:</i>					
EPA - RCAP	W.S.O.S Community Action Comm.	66.606	PY 12-13	9/30/13	1,877
Total Expenditures of Federal Awards					<u>\$ 48,635,003</u>

Community Action, Kentucky Inc.  
Schedule of Subrecipient Expenditures  
For the Year Ended June 30, 2014

	LIHEAP 93.568	Regular WX 81.042	LIHEAP WX 93.568	WX Total
Audubon Area	\$ 1,640,160	\$ 89,748	\$ 139,736	\$ 229,484
Bell-Whitley CAA	1,131,395	118,780	181,096	299,876
Big Sandy CAP	2,865,561	80,563	212,819	293,382
Blue Grass CAA	1,935,371	33,631	118,577	152,208
Central Ky CAA	1,950,612	137,779	233,577	371,356
Daniel Boone CAA	2,343,600	115,037	326,654	441,691
Gateway CAA	1,058,502	108,601	263,013	371,614
Harlan Co CAA	574,059	12,333	225,747	238,080
KCEOC CAP	747,545	116,422	155,647	272,069
Foothills CAP	1,546,990	112,892	263,623	376,515
LKLP CAA	2,014,587	137,811	244,213	382,024
Lake Cumberland CAA	2,634,823	163,946	229,458	393,404
CAC - Lexington	2,305,639	40,564	272,226	312,790
Licking Valley CAP	746,283	126,584	235,381	361,965
Louisville Metro	4,682,487		167,138	167,138
Middle Ky CAP	1,453,803	91,297	191,092	282,389
Multi-Purpose CAA	603,445	13,431	111,606	125,037
Northeast Ky CAA	2,466,621	129,060	247,689	376,749
Northern Ky CAC	2,009,568	1,585	246,315	247,900
Pennyrite Allied	1,825,684	15,802	187,149	202,951
CAA of Southern Ky	2,367,644	9,838	94,902	104,740
Tri-County CAA	327,407	37,611	94,280	131,891
West Ky Allied	1,595,014	117,234	209,598	326,832
Affordable Energy	10,000			-
	<u>\$ 40,836,800</u>	<u>\$ 1,810,549</u>	<u>\$ 4,651,536</u>	<u>\$ 6,462,085</u>

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Action Kentucky, Inc. (“CAK”) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements.

Note 2 – Sub-recipient Expenditures

A substantial amount of expenditures included on the Schedule of Federal Financial Assistance are passed through to various sub-recipients of CAK. The Schedule of Sub-recipient Expenditures on page 21 provides a summary of this activity by sub-recipient and federal program.



Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiency identified that are not considered to be material weaknesses  yes  no

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiency identified that are not considered to be material weaknesses  yes  no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  yes  no

Identification of major programs:

CFDA Number  
93.568

*Name of Federal Program of Cluster*  
LIHEAP

Dollar threshold used to distinguish between type A and type B programs \$ 1,459,050

Auditee qualified as low-risk auditee?  yes  no

II. Financial Statement Findings

None.

III. Federal Awards Findings and Questioned Costs

None.

Community Action, Kentucky Inc.  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2014

No prior audit findings were noted.

Community Action, Kentucky Inc.  
Statement of Activity by Program  
For the Year Ended June 30, 2014.

Revenues	Housing	RCAP 12/13	RCAP 13/14	CDAP	LIHEAP	WX	CSBG	OCS 12/13	OCS 13/14	Kynector	ABP	KU Energy 07/12	Treasury	Total
Grant Revenue	\$ -	\$ 84,665	178,786	\$ 307,794	\$ 41,222,651	\$ 6,563,734	\$ 150,000	\$ 143,377	\$ 291,790	\$ 4,805,328	\$ 42,540	\$ 99,000	\$ -	\$ 53,889,665
Commission													114,329	114,329
Dues													17,191	17,191
Rental Income													14,400	14,400
Interest Income	805												40,261	41,066
Realized Gain On Inv													24,662	24,662
Unrealized Gain On Inv													113,371	113,371
Other Income													59,838	59,838
<b>Total Revenues</b>	<b>\$ 805</b>	<b>\$ 84,665</b>	<b>\$ 178,786</b>	<b>\$ 307,794</b>	<b>\$ 41,222,651</b>	<b>\$ 6,563,734</b>	<b>\$ 150,000</b>	<b>\$ 143,377</b>	<b>\$ 291,790</b>	<b>\$ 4,805,328</b>	<b>\$ 42,540</b>	<b>\$ 99,000</b>	<b>\$ 384,052</b>	<b>\$ 54,274,522</b>
<b>Expenses</b>														
Salaries	\$ -	\$ 42,417	\$ 97,106	\$ 24,586	\$ 203,086	\$ 20,301	\$ 83,610	\$ 17,789	\$ 41,064	\$ 92,380	\$ 4,614	\$ 473	\$ 59,401	\$ 686,827
Fringe Benefits		17,146	36,098	9,379	77,274	7,861	32,603	7,490	14,959	35,907	1,760	181	21,861	262,519
Professional Services		-	-	-	29,859	-	-	-	-	-	-	-	33,594	63,453
Consultants		-	1,289	273,101	-	-	-	112,500	211,076	11,738	-	-	66,990	676,694
Education		1,081	-	-	595	-	2,100	1,150	1,765	450	-	-	2,955	10,096
Travel		8,885	15,266	1,631	3,042	544	6,262	-	6,878	3,971	-	-	24,593	71,072
Telephone		-	-	-	843	3	-	69	224	717	-	-	242	2,098
Office Exp & Supplies		116	241	625	89	-	171	-	-	-	-	-	1,591	2,833
Dues/Fees		295	163	-	-	-	-	-	150	22	-	-	19,172	19,802
Insurance		-	128	-	10,784	1,669	-	-	128	-	-	-	739	13,448
Pollution Insurance		-	-	-	-	61,921	-	-	-	-	-	-	-	61,921
Postage		70	15	-	24	-	-	-	-	-	-	-	70	179
Printing		-	-	-	2,899	-	2,066	-	-	312	-	-	-	5,277
Publications		-	-	-	-	-	-	-	-	-	-	-	-	-
Marketing		-	-	-	-	-	-	-	-	-	-	-	4,988	4,988
Advertising		-	-	-	-	-	-	-	-	-	-	-	698	698
Utilities		-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs & Maintenance		701	-	-	4,274	4,184	3,363	-	-	90	-	-	7,429	20,041
Meeting		-	-	-	-	-	-	-	-	-	-	-	39,991	39,991
Depreciation		-	-	-	-	-	-	-	-	-	-	-	8,135	8,135
Interest	710	-	-	-	-	-	-	-	-	-	-	-	-	710
Other		-	-	-	-	-	-	-	-	-	-	-	15,750	15,750
Indirect		13,954	28,480	-	53,082	5,166	19,825	4,379	15,546	28,300	1,154	121	20,479	190,486
Subrecipients		-	-	-	40,836,800	6,462,085	-	-	-	4,590,643	34,248	101,298	-	52,025,074
<b>Total Expenses</b>	<b>710</b>	<b>84,665</b>	<b>178,786</b>	<b>309,322</b>	<b>41,222,651</b>	<b>6,563,734</b>	<b>150,000</b>	<b>143,377</b>	<b>291,790</b>	<b>4,764,530</b>	<b>41,776</b>	<b>102,073</b>	<b>328,678</b>	<b>54,182,092</b>
<b>Change in Net Assets</b>	<b>\$ 95</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,528)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40,798</b>	<b>\$ 764</b>	<b>\$ (3,073)</b>	<b>\$ 55,374</b>	<b>\$ 92,430</b>

Community Action, Kentucky Inc.  
 LIHEAP Grant – CFDA 93.568  
 Contract #736-13000020765  
 Statement of Program Expenses  
 For the Period July 01, 2013 through June 30, 2014

Payments to Subrecipients		
Agency Subsidy Benefits (CAK records)	\$ 13,681,344	
Agency Crisis Benefits (CAK records)	23,689,347	
Agency Leveraging (CAK Records)	56,759	
Agency Prior Year Adjustments (CAK records)	(6,742)	
Agency Administration (CAK records)	3,416,092	
Total Payments To Subrecipients		<u>\$ 40,836,800</u>
CAK Administration		
Salaries	212,786	
Fringe Benefits	80,974	
Professional Services	35,251	
Consultants	1,359	
Education	595	
Travel	3,167	
Telephone	7,526	
Meeting	1,177	
Postage	312	
Office Exp & Supplies	1,737	
Publications	19	
Dues/Fees	147	
Insurance	17,298	
Printing	3,136	
Utilities	3,100	
Repairs & Maintenance	11,920	
Depreciation	5,347	
Total CAK Administration		<u>385,851</u>
Total Expenditures		<u>41,222,651</u>
Questioned Costs (See Schedule)		-
Allowable Cost		41,222,651
Amount Received From CHFS - HEAP		41,116,069
Accounts Receivable From Funding Sources		106,582
Excess (Shortage) Receipts over Expenditures		<u><u>\$ -</u></u>

Community Action, Kentucky Inc.  
 LIHEAP Grant – CFDA 93.568  
 Contract #736-13000020765  
 Statement of Budget to Actual  
 For the Period July 01, 2013 through June 30, 2014

Cost Category	Budget	Actual	(Over)/ Under Budget
Administrative Cost			
Subrecipient	\$ 3,522,199	\$ 3,416,092	\$ 106,107
Community Action Kentucky	361,355	385,851	(24,496)
Total Administrative	<u>3,883,554</u>	<u>3,801,943</u>	<u>81,611</u>
Benefits - Direct Assistance			
Subsidy	13,681,344	13,681,344	-
Crisis	23,737,367	23,689,347	48,020
Leveraging	56,759	56,759	-
Total Benefits	<u>37,475,470</u>	<u>37,427,450</u>	<u>48,020</u>
Other Expenditures			
DSM	30,000	-	30,000
Prior Year Adjustments	-	(6,742)	6,742
Total Other	<u>30,000</u>	<u>(6,742)</u>	<u>36,742</u>
Total Contract	<u>\$ 41,389,024</u>	<u>\$ 41,222,651</u>	<u>\$ 166,373</u>

Community Action, Kentucky Inc.  
 LIHEAP Weatherization Grant  
 Contract: Kentucky Housing Corporation  
 Statement of Program Expenses  
 For the Period July 01, 2013 through June 30, 2014

Payments to Subrecipients		\$ 4,651,536
HHS		<u>4,651,536</u>
CAK Administration		
Salaries	\$ 19,463	
Fringe Benefits	7,424	
Professional Services	525	
Education	132	
Travel	235	
Telephone	115	
Postage	654	
Office Exp & Supplies	28	
Publications	160	
Dues/Fees	2	
Insurance	14	
Pollution Insurance	2,303	
Printing	61,921	
Utilities	23	
Repairs & Maintenance	302	
Depreciation	4,928	
Indirect	<u>520</u>	
Total CAK Administration		<u>98,749</u>
Total Expenditures		<u>4,750,285</u>
Questioned Costs (See Schedule)		<u>-</u>
Allowable Cost		4,750,285
Amount Received From KHC-WX		2,745,151
Accounts Receivable From Funding Sources		<u>2,005,134</u>
Excess (Shortage) Receipts over Expenditures		<u><u>\$ -</u></u>

Community Action, Kentucky Inc.  
 LIHEAP Weatherization Grant  
 Contract: Kentucky Housing Corporation  
 Statement of Budget to Actual  
 For the Period July 01, 2013 through June 30, 2014

Kentucky Housing Corporation(Federal)  
 Department of Health & Human Services

\$ 4,750,285

Cost Category	Budget	Actual	(Over)/ Under Budget
CAK Admin	\$ 47,606	\$ 36,828	\$ 10,778
Pollution Insurance	61,921	61,921	-
Subrecipient Agencies:			
Administration	527,894	231,918	295,976
Program Operations:			
Materials	-	783,262	-
Program Support	-	1,836,256	-
Labor	-	1,089,898	-
Health & Safety		667,134	
Liability Ins	-	43,068	-
Total Program Operations	9,252,583	4,419,618	4,832,965
Total Subrecipient Agencies	9,780,477	4,651,536	5,128,941
Total	<u>\$ 9,890,004</u>	<u>\$ 4,750,285</u>	<u>\$ 5,139,719</u>

Community Action, Kentucky Inc.  
 Regular Weatherization Grant  
 Contract: Kentucky Housing Corporation  
 Statement of Program Expenses  
 For the Period July 01, 2013 through June 30, 2014

Payments To Subrecipients		
Department of Energy		<u>\$ 1,810,549</u>
CAK Administration		
Salaries	\$ 1,782	
Fringe Benefits	797	
Travel	<u>321</u>	
Total CAK Administration		<u>2,900</u>
Total Expenditures		<u>1,813,449</u>
Questioned Costs (See Schedule)		<u>-</u>
Allowable Cost		1,813,449
Amount Received From KHC - WX		1,475,130
Accounts Receivable From Funding Sources		<u>338,319</u>
Excess (Shortage) Receipts over Expenditures		<u><u>\$ -</u></u>



Community Action, Kentucky Inc.  
 Regular Weatherization Grant  
 Contract: Kentucky Housing Corporation  
 Statement of Budget to Actual  
 For the Period July 01, 2013 through June 30, 2014

Kentucky Housing Corporation(Federal)  
 Department of Energy

\$ 1,813,449

Cost Category	Budget	Actual	(Over)/ Under Budget
CAK Admin	\$ 10,900	\$ 2,900	\$ 8,000
Subrecipient Agencies:			
Administration	158,692	97,628	61,064
Materials	-	279,261	-
Program Support	-	500,365	-
Labor	-	406,555	-
Health & Safety	-	255,087	-
Program Income	-	(175)	-
Liability Insurance	-	68,334	-
Audit	-	48,579	-
Total Program Operations	<u>2,555,757</u>	<u>1,558,006</u>	<u>997,751</u>
Training	210,161	154,915	55,246
Total Subrecipient Agencies	<u>2,924,610</u>	<u>1,810,549</u>	<u>1,114,061</u>
Total	<u>\$ 2,935,510</u>	<u>\$ 1,813,449</u>	<u>\$ 1,122,061</u>

Community Action, Kentucky Inc.  
 CSBG Grant  
 Contract #736-13000020765  
 Statement of Program Expenses  
 For the Period July 01, 2013 through June 30, 2014

Kentucky Housing Corporation(Federal)  
 Department of Health and Human Services

Contract Award		<u>\$ 150,000</u>
Expenditures		
Salaries	\$ 87,233	
Fringe Benefits	33,985	
Professional Services	2,014	
Consultants	508	
Education	2,100	
Travel	6,309	
Meeting	440	
Telephone	2,496	
Postage	107	
Office Exp & Supplies	786	
Dues/Fees	7	
Publications	55	
Insurance	2,433	
Printing	2,155	
Utilities	1,158	
Repairs & Maintenance	6,217	
Depreciation	<u>1,997</u>	
Total Expenditures		<u>150,000</u>
Questioned Cost (See Schedule)		-
Adjusted Cost		<u>150,000</u>
Contract Payment Received		132,047
Accounts Receivable from Funding Sources		<u>17,953</u>
Excess (Shortage) Receipts over Expenditures		<u><u>\$ -</u></u>

Community Action, Kentucky Inc.  
 WSOS Community Action, Inc. RCAP Grant  
 Contract PE 12/13  
 (For Contracts Ending September 30, 2013)  
 Statement of Program Expenses  
 For the Period July 01, 2013 through June 30, 2014

HHS-CFDA 93.570	\$	88,238
RCDI-CFDA 10.446		80,882
Technitrain-CFDA 10.761		107,000
EPA-CFDA 66.606		32,000
Contract Awards	\$	<u>308,120</u>

	Actual	Actual	Total
Expenditures			
Salaries	\$ 121,820	\$ 44,967	\$ 166,787
Fringe Benefits	50,002	18,119	68,121
Professional Services	3,232	1,418	4,650
Consultant/Contract	-	357	357
Education	5,659	1,081	6,740
Travel	17,447	8,918	26,365
Meeting	608	309	917
Telephone	4,629	1,757	6,386
Postage	332	146	478
Supplies	3,754	549	4,303
Publications	12	5	17
Dues/Fees	3	334	337
Insurance	4,397	1,712	6,109
Printing	51	62	113
Advertising	6	-	6
Utilities	1,898	815	2,713
Repairs & Main	6,062	2,710	8,772
Depreciation	3,543	1,406	4,949
Total Expenditures	<u>223,455</u>	<u>84,665</u>	<u>308,120</u>
Questioned Costs (See Schedule)	-	-	-
Adjusted Costs	<u>223,455</u>	<u>84,665</u>	<u>308,120</u>
Contract Payments Received	138,477	169,643	308,120
Excess (Shortage) Receipts over Expenditures	<u>\$ 84,978</u>	<u>\$ (84,978)</u>	<u>\$ -</u>

Community Action, Kentucky Inc.  
 WSOS Community Action, Inc. RCAP Grant  
 Contract PE 13/14  
 (For Contracts Ending September 30, 2014)  
 Statement of Program Expenses  
 For the Period July 01, 2013 through June 30, 2014

HHS-CFDA 93.570	\$	63,087	
Technitrain-CFDA 10.761		88,566	
Solid Waste-CFDA 10.762		27,133	
Contract Award			\$ 178,786
Expenditures			
Salaries	\$	102,310	
Fringe Benefits		38,083	
Professional Services		2,893	
Education		2,018	
Travel		15,333	
Meeting		632	
Telephone		3,585	
Postage		171	
Office Exp & Supplies		1,125	
Publications		10	
Dues/Fees		242	
Insurance		3,623	
Printing		127	
Utilities		1,663	
Repairs & Maintenance		4,102	
Depreciation		2,869	
Total Expenditures			178,786
Questioned Costs (See Schedule)			-
Adjusted Costs			178,786
Excess (Shortage) Receipts over Expenditures			107,011
Accounts Receivable from Funding Source			71,775
Excess (Shortage) Receipts over Expenditures			\$ -

Community Action, Kentucky Inc.  
OCS  
Contract #90EQ0244-01-00  
(For Contracts Ending September 29, 2013)  
For the Period July 01, 2013 through June 30, 2014

RPIC-CFDA 93.570

Contract Award			<u>\$ 400,000</u>
	Actual	Actual	
Expenditures			<u>Total</u>
Salaries	\$ 52,140	\$ 18,589	\$ 70,729
Fringe Benefits	21,405	7,795	29,200
Professional Services	1,453	445	1,898
Consultants	160,453	112,612	273,065
Education	1,265	1,150	2,415
Travel	9,974	10	9,984
Meeting	273	97	370
Telephone	2,271	621	2,892
Postage	108	24	132
Supplies	676	136	812
Publications	6	1	7
Dues/Fees	1	12	13
Insurance	2,047	537	2,584
Printing	4	20	24
Advertising	3	-	3
Utilities	853	256	1,109
Repairs & Main	2,098	631	2,729
Depreciation	1,593	441	2,034
Total Expenditures	<u>256,623</u>	<u>143,377</u>	<u>400,000</u>
Questioned Cost (See Schedule)	-	-	-
Adjusted Cost	<u>256,623</u>	<u>143,377</u>	<u>400,000</u>
Contract Payment Received	254,530	145,470	400,000
Accounts Receivable from Funding Sources	-	-	-
Excess (Shortage) Receipts over Expenditures	<u>\$ (2,093)</u>	<u>\$ 2,093</u>	<u>\$ -</u>

Community Action, Kentucky Inc.  
OCS  
Contract #90EQ0244-02-00  
(For Contracts Ending September 29, 2014)  
For the Period July 01, 2013 through June 30, 2014

RPIC-CFDA 93.570		
Contract Award		<u>\$ 291,790</u>
Expenditures		
Salaries	\$ 43,905	
Fringe Benefits	16,043	
Professional Services	1,579	
Consultants/Contracts	211,474	
Education	1,765	
Travel	6,914	
Meeting	345	
Telephone	2,181	
Postage	84	
Supplies	483	
Publications	5	
Dues/Fees	193	
Insurance	2,036	
Printing	70	
Utilities	908	
Repairs & Main	2,239	
Depreciation	<u>1,566</u>	
Total Expenditures		<u>291,790</u>
Questioned Cost (See Schedule)		-
Adjusted Cost		<u>291,790</u>
Contract Payment Received		281,520
Accounts Receivable from Funding Source		<u>10,270</u>
Excess (Shortage) Receipts over Expenditures		<u><u>\$ -</u></u>

**Community Action Council for  
Lexington-Fayette, Bourbon, Harrison,  
and Nicholas Counties, Inc. and Affiliates**

Lexington, Kentucky

Consolidated Financial Statements and  
Supplementary Information  
Year Ended June 30, 2014

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information  
Year Ended June 30, 2014

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## **Independent Auditor's Report**

Board of Directors  
Community Action Council for Lexington-Fayette, Bourbon,  
Harrison, and Nicholas Counties, Inc.  
Lexington, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

## Other Matters

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedules on pages 23 to 36 are presented for purposes of additional analysis, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated statement of financial position of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates as of June 30, 2013, and the related statements of activities and cash flows for the year ended June 30, 2013, and we expressed an unqualified opinion on those financial statements. In our opinion, the prior year expenses included in the schedules on pages 25 through 27 are fairly presented, in all material respects, in relation to the financial statements from which it has been derived.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates' internal control over financial reporting and compliance. The financial statements of WinterCare Energy Fund, Inc., an affiliate, were not audited in accordance with *Government Auditing Standards* as they did not receive any federal funding.

  
Wipfli LLP

December 11, 2014  
Madison, Wisconsin

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Consolidated Statement of Financial Position

June 30, 2014

<i>Assets</i>	
Current assets:	
Cash	\$ 82,827
Restricted deposits	41,229
Investments	1,719,385
Grants receivable	1,693,882
Accounts receivable	158,297
Other assets	14,139
<b>Total current assets</b>	<b>3,709,759</b>
Long-term assets:	
Beneficial interest in assets held by others	91,977
Other assets	61,911
<b>Total long-term assets</b>	<b>153,888</b>
Property and equipment, net	6,638,661
<b>TOTAL ASSETS</b>	<b>\$ 10,502,308</b>
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of notes payable	\$ 519,340
Line of credit	350,000
Accounts payable	512,960
Accrued payroll and related expenses	864,857
<b>Total current liabilities</b>	<b>2,247,157</b>
Long-term liabilities:	
Notes payable	2,002,236
Fair value of interest rate swap agreement	169,203
Tenant security deposits	4,426
Capital advance - HUD	1,061,800
<b>Total long-term liabilities</b>	<b>3,237,665</b>
<b>Total liabilities</b>	<b>5,484,822</b>
Net assets:	
Unrestricted:	
Undesignated	3,195,871
Board designated for endowment	73,590
<b>Total unrestricted net assets</b>	<b>3,269,461</b>
Temporarily restricted	1,748,025
<b>Total net assets</b>	<b>5,017,486</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,502,308</b>

See accompanying notes to consolidated financial statements.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Consolidated Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue	\$ 19,022,381	\$ 3,485	\$ 19,025,866
Investment income	88,757	111,831	200,588
Other income	3,484,654	79,052	3,563,706
In-kind contributions	2,423,152	0	2,423,152
Net assets released from restriction through satisfaction of program restrictions	89,894	( 89,894)	0
<b>Total revenue</b>	<b>25,108,838</b>	<b>104,474</b>	<b>25,213,312</b>
Expenses:			
Program activities:			
Child education	15,382,083	0	15,382,083
Transportation	504,426	0	504,426
Community services	2,348,811	0	2,348,811
Weatherization services	4,294,982	0	4,294,982
Senior programs	350,131	0	350,131
<b>Total program activities</b>	<b>22,880,433</b>	<b>0</b>	<b>22,880,433</b>
Fund-raising	101,907	0	101,907
Management and general expenses	1,944,879	0	1,944,879
<b>Total expenses</b>	<b>24,927,219</b>	<b>0</b>	<b>24,927,219</b>
Change in net assets	181,619	104,474	286,093
Net assets - Beginning of year	3,087,842	1,643,551	4,731,393
<b>Net assets - End of year</b>	<b>\$ 3,269,461</b>	<b>\$ 1,748,025</b>	<b>\$ 5,017,486</b>

See accompanying notes to consolidated financial statements.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2014

	<u>Child Education</u>	<u>Transportation</u>	<u>Community Services</u>	<u>Weatherization Services</u>	<u>Senior Programs</u>	<u>Total Program Activities</u>	<u>Management and General Expenses</u>	<u>Fund-raising</u>	<u>Total Expenses</u>
<b>EXPENSES</b>									
Salaries	\$ 5,805,970	\$ 222,672	\$ 729,768	\$ 415,917	\$ 95,682	\$ 7,270,009	\$ 1,020,045	\$ 38,854	\$ 8,328,908
Fringe benefits	2,687,804	113,360	322,181	186,005	44,507	3,353,857	383,744	14,359	3,751,960
Consultant/contractual	2,778,742	8,410	465,390	565,678	39	3,818,259	90,883	14,770	3,923,912
Space	901,668	34,619	107,636	60,910	57,061	1,161,894	199,926	244	1,362,064
Supplies	380,696	1,401	9,555	104,739	1,724	498,115	6,344	1,857	506,316
Travel	60,100	99,792	16,504	15,530	7,843	199,769	41,064	349	241,182
Communications and IT	259,685	8,821	31,377	17,154	3,750	320,787	103,732	0	424,519
Beneficiary assistance	29,221	0	633,562	2,910,850	10,670	3,584,303	0	0	3,584,303
Other	61,833	15,351	26,050	18,199	128,855	250,288	99,141	31,474	380,903
In-kind expenses	2,416,364	0	6,788	0	0	2,423,152	0	0	2,423,152
<b>TOTAL EXPENSES</b>	<b>\$ 15,382,083</b>	<b>\$ 504,426</b>	<b>\$ 2,348,811</b>	<b>\$ 4,294,982</b>	<b>\$ 350,131</b>	<b>\$ 22,880,433</b>	<b>\$ 1,944,879</b>	<b>\$ 101,907</b>	<b>\$ 24,927,219</b>

See accompanying notes to consolidated financial statements.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Consolidated Statement of Cash Flows

Year Ended June 30, 2014

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	\$ 286,093
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	495,942
Net realized and unrealized gain on investments	( 152,056)
Net realized and unrealized gain on beneficial interest in assets held by others	( 11,724)
Change in fair value of interest rate swap agreement	( 22,786)
Changes in operating assets and liabilities:	
Restricted deposits	3,096
Grants receivable	( 487,496)
Accounts receivable	134,254
Other assets	137,323
Accounts payable	( 94,459)
Accrued payroll and related expenses	( 27,099)
Tenant security deposits	270
Grant funds received in advance	( 60,575)
Net cash provided by operating activities	200,783
Cash flows from investing activities:	
Proceeds from sale of investments	128,605
Purchase of property and equipment	( 8,646)
Net cash provided by investing activities	119,959
Cash flows from financing activities:	
Proceeds from line of credit	30,000
Payments on notes payable	( 343,815)
Net cash used in financing activities	( 313,815)
Change in cash	6,927
Cash - Beginning of year	75,900
Cash - End of year	\$ 82,827
<b>Supplemental schedule of operating activities:</b>	
Interest paid and expensed	\$ 177,903

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1            Summary of Significant Accounting Policies**

#### **Nature of Operations**

Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. (CAC), a nonprofit organization, was established in 1965. CAC studies the causes and effects of poverty and, in turn, creates opportunities for individuals and families, which enable them to become self-sufficient members of the community. Approximately 69% of CAC's grant funding is received under its federal Head Start grant.

Shepherd Place, Inc. (the "Project") is a 20-unit apartment facility for the elderly and handicapped located in Carlisle, Kentucky. It is operated under Section 202 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project also receives Section 8 Housing Assistance payments from HUD. A significant portion of the Project's rental income is received from HUD.

WinterCare Energy Fund, Inc. ("WinterCare") was formed in 1983 to provide energy assistance to individuals demonstrating need in Kentucky. Program funding is by donations from individuals and utility companies.

#### **Basis of Presentation**

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

#### **Principles of Consolidation**

These financial statements are consolidated and include the accounts of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc., Shepherd Place, Inc., and WinterCare Energy Fund, Inc. (the "Organizations"). The Organizations are nonprofits that share some common board members with CAC and are operated by the management team of CAC. All material intercompany transactions and accounts are eliminated in consolidation.

#### **Classification of Net Assets**

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Classification of Net Assets (Continued)**

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organizations do not have any permanently restricted net assets.

#### **Revenue Recognition**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are recorded as either contributions or exchange transactions based on criteria contained in the grant award.

#### **A. Grant Awards That Are Contributions**

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

#### **B. Grant Awards That Are Exchange Transactions**

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in excess of those earned are reflected as deferred revenue.



# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1**      **Summary of Significant Accounting Policies (Continued)**

#### **Revenue Recognition (Continued)**

Other income primarily consists of daycare revenue, and amounts received from individuals, companies, and governmental sources in conjunction with grant activities and are reported as revenue when earned.

#### **Investments**

Investments are recorded at fair value as determined in an active market. Realized and unrealized gains and losses are recognized as investment income in the consolidated statement of activities.

#### **Accounts Receivable**

Accounts receivable consist primarily of various amounts due from other entities. Receivables are reviewed for collectability by management, and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. Management considers these receivables to be collectible; therefore, no allowance for uncollectible amounts has been recorded.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Property and Equipment**

Property and equipment are capitalized at cost and depreciated over their estimated useful life using the straight-line method. Leasehold improvements are depreciated over the lesser of the lease term or the economic useful life of the improvement using the straight-line method. The Organizations consider property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year.

Property and equipment purchased with grant funds are owned by the Organizations while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. Property and equipment purchased with grant funds, net of depreciation, was \$5,850,133 at June 30, 2014.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Income Taxes**

The Organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organizations are also exempt from Kentucky state income tax.

The Organizations are required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal returns for the fiscal years ending 2011 and beyond remain subject to examination by the Internal Revenue Service.

#### **In-Kind Contributions**

CAC has recorded in-kind contributions for space, supplies, and professional services in the consolidated statement of activities in accordance with generally accepted accounting principles (GAAP). GAAP requires that only contributions of service received which create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of GAAP are different than the in-kind requirements of several of CAC's grant awards. CAC also received in-kind contributions for nonprofessional volunteers, food, and clothing during the year with a value of \$757,367, primarily for its Head Start program, which is not recorded in the consolidated statement of activities.

#### **Derivative Instrument**

CAC holds a derivative financial instrument to manage risk related to interest rate movements. The interest rate swap contract, designated and qualifying as a cash flow hedge, is reported at fair value. The gain or loss on the effective portion of the hedge initially is included in the consolidated statement of activities. CAC documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. CAC's interest rate risk management strategy is to stabilize cash flow requirements by maintaining an interest rate swap contract to convert variable-rate debt to a fixed rate.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Cost Allocation

Joint costs are allocated to benefiting programs using an indirect cost rate. Joint costs are those costs incurred for the common benefit of all the Organizations' programs that cannot be readily identified with a final cost objective. The indirect cost allocation plan has been approved by the U.S. Department of Health and Human Services (DHHS).

#### Subsequent Events

Subsequent events have been evaluated through December 11, 2014, which is the date the financial statements were available to be issued.

### Note 2 Concentration of Credit Risk

CAC maintains cash balances at several financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. During the year, balances at one bank exceeded FDIC coverage. Management believes this financial institution has a strong credit rating and credit risk related to these deposits is minimal.

### Note 3 Restricted Deposits

Under the terms of the Regulatory Agreement the Project has with HUD, the Project is required to set aside specified amounts for the replacement of property and other project expenditures as approved by HUD. Restricted funds at June 30, 2014, are composed of the following:

Escrow fund	\$	4,382
Reserve for replacement		32,421
Tenant security deposits		4,426
<u>Total</u>	<u>\$</u>	<u>41,229</u>

### Note 4 Grants Receivable

The grants receivable balance represents amounts due as of June 30, 2014, as follows:

Direct federal programs	\$	958,820
State and local programs		735,062
<u>Total</u>	<u>\$</u>	<u>1,693,882</u>

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 5 Investments

CAC has a health insurance trust for self-funded health insurance costs of CAC. The allocation of investments in the trust at June 30, 2014, was 51% fixed income securities, and 49% in a variety of mutual funds. The health insurance trust investments of \$489,826 are carried at fair value.

CAC also participates in an investment pool with seven other nonprofits to self-fund unemployment insurance claims. The fair value of CAC's portion of the investment pool at June 30, 2014, was \$1,229,559 and represents approximately 19% of the pooled investment total. The fair value of the investment pool at June 30, 2014, was \$6,506,132. The allocation of the investments in the pool at June 30, 2014, was 43% equities, 20% fixed income, and 37% in a variety of mutual funds.

Investment income for the year ended June 30, 2014, included interest and dividends of \$36,710 and a net realized and unrealized gain of \$152,056 for these investments.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

### Note 6 Beneficial Interest in Assets Held by Others

GAAP requires that assets held by an unrelated, not-for-profit organization solely for the benefit of another not-for-profit (beneficiary) organization be recorded on the beneficiary not-for-profit organization's financial statements. The value of the assets is recorded on the consolidated statement of financial position as a long-term asset with a corresponding temporarily restricted net asset for the Community Action Council RSVP balance and unrestricted net asset for the Community Action Council balance. Any change in the net asset value during the fiscal period is to be recorded in the consolidated statement of activities as an increase or decrease in net assets.

The balance at June 30, 2014, consists of the following:

Community Action Council RSVP	\$	18,387
Community Action Council		73,590
<hr/>		
Total	\$	91,977

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 7 Endowments

The Board of Directors believes the Uniform Prudent Management of Institutional Funds Act (UPMIFA) is the relevant state law governing its endowment funds. The Board of Directors has interpreted UPMIFA as allowing the appropriation for expenditures for the purposes for which an endowment is established the net appreciation, realized and unrealized, in the fair value of an endowment fund over the historic dollar value of the fund as is prudent under ordinary business care considering the facts and circumstances prevailing at the time action is taken.

The RSVP endowment fund was established by a previous RSVP volunteer. This endowment is for the benefit of the grantee of the RSVP grant. CAC transferred \$55,000 to Blue Grass Community Foundation (BGCF) to establish the second fund, with the anticipation that other donations received by BGCF would be added to this fund. CAC's agreement with BGCF states that BGCF is responsible for the investment and administration of the funds. Each January, 5% of the rolling 12-month average is placed in liquid funds that may be withdrawn or reinvested.

Changes in endowment funds were as follows:

	<b>Board-Designated (Unrestricted)</b>	<b>Donor-Designated (Temporarily Restricted)</b>	<b>Total</b>
Endowments at July 1, 2013	\$ 64,088	\$ 16,165	\$ 80,253
Net appreciation	9,502	2,222	11,724
Endowments at June 30, 2014	\$ 73,590	\$ 18,387	\$ 91,977

### Note 8 Property and Equipment

A summary of property and equipment is as follows:

Land	\$ 586,250
Land improvements	160,443
Building and improvements	8,347,633
Leasehold improvements	187,477
Equipment	2,774,572
Subtotal	12,056,375
Accumulated depreciation	( 5,417,714)
<b>Total</b>	<b>\$ 6,638,661</b>

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 9**            **Line of Credit**

CAC has an available line of credit in the amount of \$750,000 with Central Bank & Trust Co. with a maturity date of December 25, 2014. The interest rate on the line of credit is variable at the prime rate with a floor of 5%. The rate is 5% at June 30, 2014. At June 30, 2014, the balance on the line of credit was \$350,000. The line of credit is secured by three properties.

### **Note 10**            **Capital Advance - HUD**

The Project was financed principally by a HUD capital advance mortgage note ("Note") in the amount of \$1,061,800, payable to HUD. The Note bears no interest and repayment is not required so long as the housing remains available for very low-income elderly persons in accordance with the regulatory agreements and regulations.

The Note may not be prepaid prior to the maturity date without the prior written approval of HUD. Provided that (1) the housing has remained available for occupancy by eligible persons until the maturity date of the Note, and (2) the Note has not otherwise become due and payable by reason of default under the Note, mortgage or regulatory agreement or regulations, the Note will be considered to be paid in full and discharged at maturity, February 1, 2034.

If the Note is considered in default under the terms of the Note, mortgage, the regulatory agreement or the regulations, at the option of the holder of the Note, HUD may take possession of the project, collect all rents and charges in connection of the project, declare the entire principal due and foreclose on the mortgage, apply any court, Federal or State, sanctions, and/or terminate the Project Rental Assistance Contract. The holder of the Note is required to give written notice of such default and the Project has 30 days to correct such default. If the default is not corrected within 30 days, HUD may proceed to correct the violation.

The Note, in its principal amount, is reflected on the consolidated statement of financial positions as long-term debt until such time as the HUD capital advance Note expires. Although management currently intends to comply with all Note provisions over the term of the Note, management believes that the possibility that repayment may occur is other than remote; therefore, believes recognition of the Note as long-term debt is the appropriate treatment.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 11 Notes Payable

A summary of notes payable at June 30, 2014, is as follows:

Loan for housing remodeling for qualified individuals, payable in annual payments of \$6,932 with variable interest payments quarterly, due December 2018.	\$ 14,888
Revenue bonds payable, series 2000B, with fixed interest at 6.5%. Monthly payments of \$13,967 until December 2015, secured by real estate identified as the Winburn Center located on Winburn Drive in Lexington, Kentucky.	264,401
Note payable at a variable interest rate, (rate at June 30, 2014, is 3.75%), with monthly principal and interest payments of \$1,789, due November 2018. The note is secured by two school buses.	84,023
Revenue bonds payable, series 2000A, annual principal and semiannual interest payments until June 2016, interest at 7% to 7.6%, secured by real estate identified as the Nicholas County Center located on Scrubgrass Road in Carlisle, Kentucky.	50,000
Revenue bond payable, fixed at 3.74% through an interest rate swap agreement with interest paid quarterly and principal paid annually, due November 2023. The bond is secured by real estate known as Administrative and Support Services Center located on High Street in Lexington Kentucky and the Fayette West Center located on Cambridge Drive in Lexington, Kentucky.	1,610,000
Note payable at 5.5% interest, with monthly payments of \$403, due January 2016. The note is secured by a vehicle.	7,309
Note payable at 6.25% interest, with monthly payments of \$1,842, due August 2016. The note is secured by real estate Russell School Community Services Center located on Toner Street in Lexington, Kentucky.	126,968
Note payable at a fixed rate of 5% interest, with monthly payments of \$4,467, due December 2016. The note is unsecured.	121,630
Note payable at a fixed rate of 5.75%, with monthly principal and interest payments of \$2,004, due September 2017. The note is secured by two school buses.	166,809

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 11 Notes Payable (Continued)

Note payable at a fixed rate of 5.25%, with monthly principal and interest payments of \$899, due September 2017. The note is secured by agency assets.	32,842
Note payable at a fixed rate of 6.25 %, interest, with monthly payments of \$2,493, due December 2015. The note is secured by furniture and equipment.	42,706
Total notes payable	2,521,576
Current portion	( 519,340)
<u>Long-term notes payable</u>	<u>\$ 2,002,236</u>

The future maturities of notes payable subsequent to June 30, 2014 are as follows:

2015	\$ 519,340
2016	405,033
2017	308,161
2018	291,256
2019	167,786
<u>Thereafter</u>	<u>830,000</u>
<u>Total long-term notes payable</u>	<u>\$ 2,521,576</u>

### Note 12 Derivative Instrument

CAC maintains an interest rate swap agreement with a financial institution. Under the terms of this arrangement, the parties, in effect, pay each other's interest cost on the underlying debt. The arrangement has the effect of controlling CAC's interest rate risk in a rising interest rate environment.

At June 30, 2014, the interest rate swap had a notional amount of \$1,610,000 with interest fixed at 3.74%, and expires November 2023.

The interest rate swap was issued at market terms; therefore, had no fair value at inception. The notional amount changes with quarterly payments. The carrying amounts of the interest rate swap has been adjusted to fair value as of June 30, 2014 which, because of changes in forecasted levels of The Bond Market Association, Municipal Swap Index, resulted in reporting a liability for the fair value of the future net payments forecasted under the interest rate swap of \$169,203. Adjustments to the carrying amount of the interest rate swap are reported as other income.



# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 13 Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2014, consist of the following:

Self-funded health insurance trust	\$	323,448
Unemployment insurance trust		1,221,554
Beneficial interest in assets held by others		18,387
Other		184,636
<hr/>		
Total temporarily restricted net assets	\$	1,748,025

These net assets are either restricted by time or purpose. When the restriction is met, the net assets are released from restriction.

### Note 14 Operating Leases

CAC leases various facilities and equipment for the operation of its programs under operating leases. Rent expense for the year ended June 30, 2014, was \$119,139. Future minimum lease payments beyond 2014 are as follows:

2015	\$	77,062
2016		75,559
2017		29,081
2018		6,650
2019		2
Thereafter		7
<hr/>		
Total	\$	188,361

### Note 15 Retirement

CAC offers its employees a defined contribution retirement plan. The plan is open to all employees. An employee may begin contributions to the plan upon employment. CAC contributes 8% of gross wages to the plan for qualified employees after one year of employment. CAC's contribution vests over a period of five years. CAC's contributions to the plan for the year ended June 30, 2014, were \$575,422.

### Note 16 Fair Value Measurements

Financial accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, CAC uses various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market-corroborated, or generally unobservable inputs.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 16 Fair Value Measurements (Continued)

Whenever possible CAC attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods, CAC is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable, market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

Information regarding the fair value of assets measured at fair value on a recurring basis as of June 30, 2014, is as follows:

	Recurring Fair Value Measurements Using			
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
CAC share of unemployment investment pool:				
Mutual funds	\$ 454,937	\$ 454,937	\$ 0	\$ 0
Fixed income	245,912	245,912	0	0
Equities	528,710	528,710	0	0
Investments held by health trust:				
Fixed income	252,242	252,242	0	0
Mutual funds	237,584	237,584	0	0
Total investments	1,719,385	1,719,385	0	0
Endowment funds held by Foundation	91,977	0	0	91,977
Total assets	\$ 1,811,362	\$ 1,719,385	\$ 0	\$ 91,977
Liability— Interest rate swap	\$ 169,203	\$ 0	\$ 169,203	\$ 0

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 16 Fair Value Measurements (Continued)**

Following is a description of the valuation methodology used for each asset and liability measured at fair value on a recurring basis:

- The interest rate swap was valued using a discounted cash flow model that utilizes observable market data, such as market interest rates and interest rate curves.
- Endowment funds held by Foundation are valued using amounts provided by the Blue Grass Community Foundation.

Changes in the fair value of the investments held by trust endowment funds are recorded as investment income in the consolidated statement of activities. The following is a reconciliation of the beginning and ending balances of CAC's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2014:

Endowment funds – Beginning of year	\$	80,253
<u>Net realized and unrealized gain</u>		<u>11,724</u>
<u>Endowments funds – End of year</u>	<u>\$</u>	<u>91,977</u>

### **Note 17 Grant Awards**

At June 30, 2014, CAC had commitments under various ongoing grant awards of approximately \$2,975,000. The revenue relating to these grants is not recognized in the accompanying consolidated financial statements because the revenue recognition is conditional on the incurrence of expenditures or the performance of services in the next fiscal year.

### **Note 18 Contingencies**

CAC is involved in legal matters arising in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not be material to CAC's financial statements.

### **Note 19 Program Operations**

CAC's Migrant Head Start program has been selected by the Department of Health and Human Services for competitive bid. CAC has submitted a bid to continue operating the program. For the year ended June 30, 2014, CAC's Migrant Head Start program received approximately \$2,900,000 of grant funding.

# **Supplementary Information**

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# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.

Schedule A-1  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed-Through the Kentucky Department of Education</b>			
Child and Adult Care Food Program	10.558	034-D30-999	\$ <u>358,231</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>Passed-Through the Lexington-Fayette Urban County Government</b>			
CDBG/Wx	14.218	R-424-2003	<u>30,423</u>
<b>Passed-Through the Kentucky Housing Corporation</b>			
Emergency Shelter 2012	14.231	ES12-0128-01	13,958
Emergency Shelter Phase II		ES11-0128-II	27,738
<b>Total Federal Expenditures CFDA #14.231</b>			<u>41,696</u>
<b>Direct Funding</b>			
Project Independence	14.235	KY088B4I021104	7,167
Project Independence		KY088L4I021205	50,509
Samaritan - Fayette		KY0103B4I021103	7,945
Samaritan - Fayette		KY0103L4I021204	44,018
<b>Passed-Through the Kentucky Housing Corporation</b>			
Continuum of Care/Bourbon County		KY0008B4I001104	32,985
Continuum of Care/Bourbon County		KY0008L4I001205	137,429
Samaritan		KY022B4I001104	11,617
Samaritan		KY0022L4I001205	116,270
Public Housing - Bonus		KY0113B4I001000	256,312
<b>Total Federal Expenditures CFDA #14.235</b>			<u>664,252</u>
<b>Passed-Through the Kentucky Housing Corporation</b>			
TBRA	14.239	TTB12-0553-01	73,123
<b>Passed-Through the Lexington-Fayette Urban County Government</b>			
TBRA LFUCG		N/A	11,051
TBRA LFUCG		N/A	5,351
<b>Total Federal Expenditures CFDA #14.239</b>			<u>89,525</u>
<b>Passed-Through the Kentucky Cabinet for Health and Family Services</b>			
Lead Base Paint	14.900	PON2 728 1200003605 1	<u>378,708</u>

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.

## Schedule A-2

### Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>Passed-Through Bluegrass Area Development District</b>			
LEEP	17.259	13-009Y	6,498
LEEP		14-001Y	74,391
<b>Total Federal Expenditures CFDA #17.259</b>			<b>80,889</b>
<b>U.S. DEPARTMENT OF ENERGY</b>			
<b>Passed-Through the Kentucky Association of Community Action Agencies</b>			
DOE-Weatherization Assistance	81.042	WX14-0603-02	<b>40,564</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Passed-Through the Louisville/Jefferson County Metro Government</b>			
Senior Medicare Patrol	93.048	90MP0135/02	1,981
Senior Medicare Patrol		90MP0135/03	5,829
<b>Total Federal Expenditures CFDA #93.048</b>			<b>7,810</b>
<b>Direct Funding</b>			
SAMSHA	93.243	5H79T1020483-05	<b>170,298</b>
<b>Passed-Through the Kentucky Association of Community Action Agencies</b>			
KyNector	93.525	PON2 713 1400000661 1	<b>359,900</b>
<b>Passed-Through the Kentucky Association of Community Action Agencies</b>			
Low-Income Home Energy Assistance Program	93.568	736-1300002076	2,280,257
Low-Income Home Energy Leveraging		736-1300002076	25,384
Low-Income Home Weatherization Assistance Program		LWX-006	34,099
Low-Income Home Weatherization Assistance Program		LWX-006-01	238,127
<b>Total Federal Expenditures CFDA #93.568</b>			<b>2,577,867</b>
<b>Passed-Through the Kentucky Cabinet for Health and Family Services</b>			
Community Services Block Grant	93.569	PON2 736 1300002082	<b>595,874</b>
<b>Direct Funding</b>			
Head Start	93.600	04CH2750/44	536,487
Head Start		04CH2750/45	6,284,335
Early Head Start		04CH2750/44	303,881
Early Head Start		04CH2750/45	3,129,261
Migrant Head Start		90CM9789/11	570,780
Migrant Head Start		90CM9789/12	2,246,087
<b>Total Federal Expenditures CFDA #93.600</b>			<b>13,070,831</b>

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.

## Schedule A-3

### Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE (Continued)</b>			
<b>Direct Funding</b>			
Retired Senior Volunteer Program 2013	94.002	11SRSKY001	63,561
Retired Senior Volunteer Program 2014		14SRSKY001	27,230
	<b>Total Federal Expenditures CFDA #94.002</b>		<b>90,791</b>
<b>Direct Funding</b>			
Foster Grandparents Program 2013	94.011	11SFSKY001	75,689
Foster Grandparents Program 2014		14SFSKY001	77,018
	<b>Total Federal Expenditures CFDA #94.011</b>		<b>152,707</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Passed-Through Emergency Food and Shelter National Board</b>			
Emergency Food & Shelter Program/Nicholas County	97.024	31-3502-00-001	22,351
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ 18,732,717</b>

#### Notes to Schedule of Expenditures of Federal Awards

##### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.

##### Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Schedule B

### Consolidating Statement of Financial Position

June 30, 2014

	Community Action Council	Shepherd Place	WinterCare Energy Fund	Eliminations	Consolidated Balance
<b>Current assets:</b>					
Cash	\$ 32,342	\$ 6,908	\$ 43,577	\$ 0	\$ 82,827
Restricted deposits	0	41,229	0	0	41,229
Investments	1,719,385	0	0	0	1,719,385
Grants receivable	1,693,882	0	0	0	1,693,882
Accounts receivable	156,999	0	28,934	( 27,636)	158,297
Other assets	14,139	0	0	0	14,139
<b>Total current assets</b>	<b>3,616,747</b>	<b>48,137</b>	<b>72,511</b>	<b>( 27,636)</b>	<b>3,709,759</b>
<b>Long-term assets:</b>					
Beneficial interest in assets held by others	91,977	0	0	0	91,977
Notes Receivable	61,911	0	0	0	61,911
<b>Total long-term assets</b>	<b>153,888</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>153,888</b>
Property and equipment, net	6,207,956	430,705	0	0	6,638,661
<b>TOTAL ASSETS</b>	<b>\$ 9,978,591</b>	<b>\$ 478,842</b>	<b>\$ 72,511</b>	<b>(\$ 27,636)</b>	<b>\$ 10,502,308</b>
<b>Current liabilities:</b>					
Current portion of notes payable	\$ 519,340	\$ 0	\$ 0	\$ 0	\$ 519,340
Line of credit	350,000	0	0	0	350,000
Accounts payable	505,578	14,151	20,867	( 27,636)	512,960
Accrued payroll and related expenses	864,857	0	0	0	864,857
<b>Total current liabilities</b>	<b>2,239,775</b>	<b>14,151</b>	<b>20,867</b>	<b>( 27,636)</b>	<b>2,247,157</b>
<b>Long-term liabilities:</b>					
Notes payable	2,002,236	0	0	0	2,002,236
Fair value of interest rate swap agreement	169,203	0	0	0	169,203
Tenant security deposits	0	4,426	0	0	4,426
Capital advance - HUD	0	1,061,800	0	0	1,061,800
<b>Total long-term liabilities</b>	<b>2,171,439</b>	<b>1,066,226</b>	<b>0</b>	<b>0</b>	<b>3,237,665</b>
<b>Total liabilities</b>	<b>4,411,214</b>	<b>1,080,377</b>	<b>20,867</b>	<b>( 27,636)</b>	<b>5,484,822</b>
<b>Net assets:</b>					
Unrestricted (deficit)	3,819,352	( 601,535)	51,644	0	3,269,461
Temporarily restricted	1,748,025	0	0	0	1,748,025
<b>Total net assets (deficit)</b>	<b>5,567,377</b>	<b>( 601,535)</b>	<b>51,644</b>	<b>0</b>	<b>5,017,486</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,978,591</b>	<b>\$ 478,842</b>	<b>\$ 72,511</b>	<b>(\$ 27,636)</b>	<b>\$ 10,502,308</b>



# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Schedule C

### Consolidating Statement of Activities

Year Ended June 30, 2014

	Community Action Council	Shepherd Place	Wintercare Energy Fund	Eliminations	Consolidated Balance
<b>Revenue:</b>					
Grant revenue	\$ 18,928,343	\$ 97,523	\$ 0	\$ 0	\$ 19,025,866
Investment income	200,562	26	0	0	200,588
Other income	3,427,634	1,399	336,148	( 201,475)	3,563,706
In-kind contributions	2,423,152	0	0	0	2,423,152
<b>Total revenue</b>	<b>24,979,691</b>	<b>98,948</b>	<b>336,148</b>	<b>( 201,475)</b>	<b>25,213,312</b>
<b>Expenses:</b>					
Salaries	8,328,908	0	0	0	8,328,908
Fringe benefits	3,751,960	0	0	0	3,751,960
Consultants/contractual	3,923,912	0	0	0	3,923,912
Space	1,321,564	40,500	0	0	1,362,064
Supplies	506,316	0	0	0	506,316
Travel	241,182	0	0	0	241,182
Communications and IT	424,519	0	0	0	424,519
Beneficiary assistance	3,363,871	0	360,177	( 139,745)	3,584,303
Other	334,944	94,894	12,795	( 61,730)	380,903
In-kind expenses	2,423,152	0	0	0	2,423,152
<b>Total expenses</b>	<b>24,620,328</b>	<b>135,394</b>	<b>372,972</b>	<b>( 201,475)</b>	<b>24,927,219</b>
Change in net assets	359,363	( 36,446)	( 36,824)	0	286,093
Net assets (deficit) - Beginning of year	5,208,014	( 565,089)	88,468	0	4,731,393
<b>Net assets (deficit) - End of year</b>	<b>\$ 5,567,377</b>	<b>(\$ 601,535)</b>	<b>\$ 51,644</b>	<b>\$ 0</b>	<b>\$ 5,017,486</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**LIHEAP Weatherization Program  
Contract # LWX-006  
Sub Contract # 13**

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30, 2014**

<b>Cost Category</b>	<b>Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>EXPENSES</b>			
Administration	\$ 14,043	\$ 5,988	\$ 8,055
WX Materials	65,607	34,488	31,119
WX Support	59,239	14,109	45,130
WX Labor	78,996	35,021	43,975
H&S Materials	21,954	13,120	8,834
H&S Labor	26,968	11,037	15,931
<b>TOTAL</b>	<b>\$ 266,807</b>	<b>\$ 113,763</b>	<b>\$ 153,044</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**LIHEAP Weatherization Program  
Contract # LWX-006  
Sub Contract # 13**

**Schedule of Program Expenses**

**For the Year Ended June 30, 2014**

Cost Category	Amount
<b>EXPENSES</b>	
Administration	\$ 5,988
WX Materials	34,488
WX Support	14,109
WX Labor	35,021
H&S Materials	13,120
H&S Labor	11,037
<b>TOTAL</b>	<u>113,763</u>
<b>LESS QUESTIONED COSTS</b>	<u>-</u>
<b>ALLOWABLE EXPENSES</b>	113,763
<b>LESS: CONTRACT PAYMENTS RECEIVED as of JUNE 30, 2014</b>	<u>113,763</u>
<b>UNDER / (OVER) PAYMENT DUE AGENCY</b>	<u><u>\$ -</u></u>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**LIHEAP Weatherization Program  
Contract # LWX-006  
Sub Contract # 13**

**Schedule of Questioned Costs**

**For the Year Ended June 30, 2014**

<b>Cost Category</b>	<b>Actual Expenses</b>	<b>Questioned Costs</b>	<b>Allowable Costs</b>
<b>EXPENSES</b>			
Administration	\$ 5,988	\$ -	\$ 5,988
WX Materials	34,488	-	34,488
WX Support	14,109	-	14,109
WX Labor	35,021	-	35,021
H&S Materials	13,120	-	13,120
H&S Labor	11,037	-	11,037
<b>TOTAL</b>	<b>\$ 113,763</b>	<b>\$ -</b>	<b>\$ 113,763</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**LIHEAP Weatherization Program  
Contract # LWX-006-01  
Sub Contract # 13**

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30, 2014**

<b>Cost Category</b>	<b>Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>EXPENSES</b>			
Administration	\$ 22,198	\$ 12,706	\$ 9,492
WX Materials	99,434	53,341	46,093
WX Support	90,731	76,112	14,619
WX Labor	131,558	63,921	67,637
H&S Materials	33,883	17,017	16,866
H&S Labor	38,208	15,030	23,178
<b>TOTAL</b>	<b>\$ 416,012</b>	<b>\$ 238,127</b>	<b>\$ 177,885</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**LIHEAP Weatherization Program  
Contract # LWX-006-01  
Sub Contract # 13**

**Schedule of Program Expenses**

**For the Year Ended June 30, 2014**

Cost Category	Amount
<b>EXPENSES</b>	
Administration	\$ 12,706
WX Materials	53,341
WX Support	76,112
WX Labor	63,921
H&S Materials	17,017
H&S Labor	15,030
<b>TOTAL</b>	<u>238,127</u>
<b>LESS QUESTIONED COSTS</b>	<u>-</u>
<b>ALLOWABLE EXPENSES</b>	238,127
<b>LESS: CONTRACT PAYMENTS RECEIVED as of JUNE 30, 2014</b>	<u>-</u>
<b>UNDER / (OVER) PAYMENT DUE AGENCY</b>	<u>\$ 238,127</u>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**LIHEAP Weatherization Program  
Contract # LWX-006-01  
Sub Contract # 13**

**Schedule of Questioned Costs**

**For the Year Ended June 30, 2014**

<b>Cost Category</b>	<b>Actual Expenses</b>	<b>Questioned Costs</b>	<b>Allowable Costs</b>
<b>EXPENSES</b>			
Administration	\$ 12,706	\$ -	\$ 12,706
WX Materials	53,341	-	53,341
WX Support	76,112	-	76,112
WX Labor	63,921	-	63,921
H&S Materials	17,017	-	17,017
H&S Labor	15,030	-	15,030
<b>TOTAL</b>	<b>\$ 238,127</b>	<b>\$ -</b>	<b>\$ 238,127</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

Weatherization Program  
Contract # WX14-0603-02  
Sub Contract # WX-06

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30, 2014**

Cost Category	Budget	Actual	(Over) Under Budget
<b>EXPENSES</b>			
Administration	\$ 7,129	\$ 2,220	\$ 4,909
WX Materials	28,256	8,653	19,603
WX Support	26,526	5,669	20,857
WX Labor	28,518	12,410	16,108
H&S Materials	9,444	3,519	5,925
H&S Labor	10,548	4,310	6,238
Liability Insurance	6,522	860	5,662
Financial Audit	3,913	-	3,913
Training	2,926	2,923	3
<b>TOTAL</b>	<u>\$ 123,782</u>	<u>\$ 40,564</u>	<u>\$ 83,218</u>



**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

Weatherization Program  
Contract # WX14-0603-02  
Sub Contract # WX-06

**Schedule of Program Expenses**

**For the Year Ended June 30, 2014**

Cost Category	Amount
<b>EXPENSES</b>	
Administration	\$ 2,220
WX Materials	8,653
WX Support	5,669
WX Labor	12,410
H&S Materials	3,519
H&S Labor	4,310
Liability Insurance	860
Training	2,923
<b>TOTAL</b>	<u>40,564</u>
<b>LESS QUESTIONED COSTS</b>	<u>-</u>
<b>ALLOWABLE EXPENSES</b>	40,564
<b>LESS: CONTRACT PAYMENTS RECEIVED as of JUNE 30, 2014</b>	<u>-</u>
<b>UNDER / (OVER) PAYMENT DUE AGENCY</b>	<u><u>\$ 40,564</u></u>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

Weatherization Program  
Contract # WX14-0603-02  
Sub Contract # WX-06

**Schedule of Questioned Costs**

**For the Year Ended June 30, 2014**

<b>Cost Category</b>	<b>Actual Expenses</b>	<b>Questioned Costs</b>	<b>Allowable Costs</b>
<b>EXPENSES</b>			
Administration	\$ 2,220	\$ -	\$ 2,220
WX Materials	8,653	-	8,653
WX Support	5,669	-	5,669
WX Labor	12,410	-	12,410
H&S Materials	3,519	-	3,519
H&S Labor	4,310	-	4,310
Liability Insurance	860	-	860
Training	2,923	-	2,923
<b>TOTAL</b>	<b>\$ 40,564</b>	<b>\$ -</b>	<b>\$ 40,564</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**Low Income Housing Energy Assistance Program (LIHEAP)  
Contract # 736-130002076  
Sub Contract # 13-02**

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30, 2014**

<b>Cost Category</b>	<b>Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>ADMINISTRATIVE</b>			
Indirect Cost Allocation	\$ 196,173	\$ 196,173	\$ -
<b>BENEFITS</b>			
Subsidy	581,363	584,187	(2,824)
Summer Cooling	25,384	25,384	-
Crisis	1,502,721	1,499,897	2,824
<b>TOTAL</b>	<u>\$ 2,305,641</u>	<u>\$ 2,305,641</u>	<u>\$ -</u>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**Low Income Housing Energy Assistance Program (LIHEAP)  
Contract # 736-1300002076  
Sub Contract # 13-02**

**Schedule of Program Expenses**

**For the Year Ended June 30, 2014**

Cost Category	Amount
<b>ADMINISTRATIVE</b>	
Indirect Cost Allocation	\$ 196,173
<b>BENEFITS</b>	
Subsidy	584,187
Crisis	
Benefits	1,429,944
Summer Cooling	25,384
Energy Counseling	69,953
	<hr/>
<b>TOTAL EXPENSES</b>	2,305,641
<b>LESS QUESTIONED COSTS</b>	<hr/> -
<b>TOTAL ALLOWABLE COSTS</b>	2,305,641
<b>CONTRACT PAYMENT RECEIVED as of JUNE 30, 2014</b>	<hr/> 2,305,641
<b>UNDER/OVER PAYMENT</b>	<hr/> <hr/> \$ -

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**Low Income Housing Energy Assistance Program (LIHEAP)  
Contract # 736-130002076  
Sub Contract # 13-02**

**Schedule of Questioned Costs**

**For the Year Ended June 30, 2014**

<b>Cost Category</b>	<b>Actual Expenses</b>	<b>Questioned Costs</b>	<b>Allowable Costs</b>
<b>ADMINISTRATIVE</b>			
<b>Indirect Cost Allocation</b>	\$ 196,173	\$ -	\$ 196,173
<b>BENEFITS</b>			
Subsidy	584,187	-	584,187
Summer Cooling	25,384	-	25,384
Crisis	1,499,897	-	1,499,897
<b>TOTAL</b>	<u>\$ 2,305,641</u>	<u>\$ -</u>	<u>\$ 2,305,641</u>



## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

Board of Directors  
Community Action Council for Lexington-Fayette, Bourbon,  
Harrison, and Nicholas Counties, Inc.  
Lexington, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 11, 2014. The financial statements of WinterCare Energy Fund, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with that entity.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

December 11, 2014  
Madison, Wisconsin



## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance**

Board of Directors  
Community Action Council for Lexington-Fayette, Bourbon,  
Harrison, and Nicholas Counties, Inc.  
Lexington, Kentucky

### **Report on Compliance for Each Major Federal Program**

We have audited Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s compliance with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s consolidated financial statements include Shepherd Place, Inc., a related entity, which had expenditures greater than \$500,000 in federal awards during the year ended June 30, 2014, and has a separate single audit, which is not included in this single audit. Therefore, our audit, described below, did not include the operations of Shepherd Place, Inc.

### **Management's Responsibility for Compliance**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination on Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s compliance.



## Opinion

In our opinion, Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

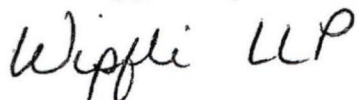
## Report on Internal Control Over Compliance

Management of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

December 11, 2014  
Madison, Wisconsin

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Schedule of Findings and Questioned Costs

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### **A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. (CAC) and Affiliates.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
3. No instances of noncompliance material to the financial statements of CAC were disclosed during the audit.
4. No material weaknesses or significant deficiencies were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for CAC expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for CAC.
7. The programs tested as major programs were the Department of Health and Human Services, State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges, CFDA #93.525, Head Start, CFDA #93.600 and the Department of Housing and Urban Development, Supportive Housing Program, CFDA #14.235.
8. The threshold for distinguishing Types A and B programs was \$561,982.
9. Community Action Council was determined to be a low-risk auditee.

### **B. Findings – Financial Statements Audit**

There were no findings.

### **C. Findings and Questioned Costs – Major Federal Award Programs Audit**

**Findings:** None

**Questioned Costs:** None

**D. Prior-Year Findings:** None